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Main points

This chapter sets out the results of our 2010 audits of SaskPower, its subsidiaries, and the Superannuation Plan. It also provides the status of recommendations relevant to SaskPower made by the Standing Committee on Crown and Central Agencies.

NorthPoint Energy Solutions Inc.

NorthPoint Energy Solutions Inc. has made progress in implementing our 2010 recommendations; it needs to finish developing its training program for traders and deliver the program to its traders. It expects to do this in 2011. Such a training program would help ensure its traders have a sufficient understanding of market rules and processes and decrease the risk of non-compliance.

Power Corporation Superannuation Plan

Power Corporation Superannuation Plan uses a service provider to carry out certain plan administration processes. The Plan needs to monitor its service provider to ensure that the service provider performs all assigned responsibilities. Improper monitoring increases the risk that errors in pension benefits paid could go unnoticed.

Introduction

SaskPower is the principal supplier of electricity in Saskatchewan, operating primarily under the mandate and authority of *The Power Corporation Act*. SaskPower's mission is to deliver power in a safe, reliable, and sustainable manner.

SaskPower's consolidated financial statements include the financial results of SaskPower and its subsidiaries (the companies it owns). SaskPower wholly owns three companies – NorthPoint Energy Solutions Inc. (NorthPoint), Power Greenhouses Inc. (Greenhouse) and SaskPower International Inc. As well, SaskPower sponsors the Power Corporation Superannuation Plan (Superannuation Plan).

SaskPower, NorthPoint, Greenhouse, and the Superannuation Plan each provide the Legislative Assembly with their annual financial statements. Because SaskPower International Inc. had no active operations in 2010 beyond its joint venture interests, it does not provide the Assembly with financial statements. The financial results of its joint venture interests are included in SaskPower's consolidated financial statements.

This chapter sets out the results of our 2010 audits of SaskPower, its subsidiaries, and the Superannuation Plan. It also provides the status of recommendations relevant to SaskPower made by the Standing Committee on Crown and Central Agencies.

Audit conclusions and findings

Deloitte & Touche LLP is the appointed auditor of SaskPower, NorthPoint, and the Superannuation Plan. Meyers Norris Penny LLP is the appointed auditor of Greenhouse. Our Office and the appointed auditors worked together using the framework recommended by the *Report of the Task Force on Roles, Responsibilities, and Duties of Auditors*.¹

¹ To view this report, see our website at www.auditor.sk.ca.

In our opinion, for the year ended December 31, 2010:

- ◆ **SaskPower, NorthPoint, Greenhouse, and the Superannuation Plan had adequate rules and procedures to safeguard public resources except for the matters noted below**

- ◆ **SaskPower, NorthPoint, Greenhouse, SaskPower International Inc., and the Superannuation Plan complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**

- ◆ **The financial statements of SaskPower, NorthPoint, Greenhouse, and the Superannuation Plan are reliable**

NorthPoint Energy Solutions Inc.

Introduction

NorthPoint provides SaskPower with generation and load management services, and in certain circumstances, sells and buys electricity for use in Saskatchewan.² It also manages SaskPower's natural gas supplies for SaskPower's natural-gas fired power plants and acts as a principal in wholesale electricity trading transactions that do not relate to electricity generated in Saskatchewan.³

For 2010, NorthPoint had revenues of \$42.2 million including \$6.8 million in service fees from SaskPower and a net loss of \$1.1 million. At December 31, 2010, it had total assets of \$28 million.

² NorthPoint sells and buys electricity for domestic use when a shortfall occurs or when lower-cost power is available for use in Saskatchewan.

³ Additional information on NorthPoint Energy Solutions Inc. is available on its website at www.northpointenergy.com.

Background

NorthPoint participates in electricity trading markets operating in Canada (Alberta, Manitoba, and Ontario) and in the United States (Northwest, Mid-continent, and East). Each of these markets has its own rules to regulate the relationships among the market participants trading in electricity. Each market routinely makes changes to these rules. Some rules regulate the fairness and openness of trading whereas others are administrative in nature. Not complying with certain rules can result in financial penalties or suspension from participation in the market.

Through agreements, NorthPoint is required to follow these rules when conducting a trade. Also, NorthPoint's code of conduct requires staff to comply with its policies and to conduct their activities in compliance with all related laws and regulations.

Electricity trading market rule violations

In Chapter 16 of our 2010 Report – Volume 1, we reported that NorthPoint's staff was not appropriately supervised, and potential violations were not dealt with appropriately. During 2010, the Alberta Market Surveillance Administrator issued 332 notices of specified penalty to NorthPoint totalling \$655,000 for contraventions of an Alberta electricity market rule in 2008 and 2009.⁴

In our 2010 Report – Volume 1, we recommended:

- ◆ ***NorthPoint Energy Solutions Inc. assign responsibility for monitoring compliance with electricity and natural gas trading market rules to staff not directly involved in trading activities***
- ◆ ***NorthPoint Energy Solutions Inc. establish a training program that provides its staff with ongoing training on market rules and on NorthPoint's processes to monitor compliance with those rules*** (2010 Report – Volume 1)

Status – NorthPoint has implemented the first recommendation; as described below, it has not fully implemented the second.

⁴ <http://albertamsa.ca/index.php?page=news-release---msa-issues-record-financial-penalty-2>

In 2010, management appropriately separated the responsibilities for trading activities from the responsibilities for monitoring compliance with trading rules. Staff responsible for monitoring compliance actively monitored changes to market rules and communicated changes to traders.

Also in 2010, NorthPoint provided initial ethics training to employees. At February 2011, NorthPoint was in the process of developing a training program for its traders. NorthPoint expects the training program to include market rules and processes to maintain compliance. It expects to deliver the completed program to traders in 2011.

Power Corporation Superannuation Plan

Introduction

The Superannuation Plan is a defined benefit closed pension plan for those employees (and beneficiaries) who SaskPower hired prior to October 1, 1977. At December 31, 2010, the Superannuation Plan had over 2,000 current members including almost 300 active members. At December 31, 2010, the Superannuation Plan had accrued pension benefits estimated at \$891.5 million, and managed total assets of \$745.7 million, of which the majority was invested in equities, bonds, real estate, and infrastructure.

Monitoring of service provider needed

The Superannuation Plan needs to monitor activities of its service provider to ensure the service provider fulfills its responsibilities.

In 2009, the Superannuation Plan contracted certain plan administration processes to the Public Employees Benefits Agency (PEBA) – a branch of the Ministry of Finance. Transition of the plan administration processes to PEBA continued into 2010. These plan administration processes included maintaining member records and calculating and paying pension benefits.

When an agency outsources key activities to a service provider, the agency needs monitoring activities to ensure the service provider fulfills its assigned responsibilities and uses appropriate controls.

Until the first quarter of 2010, the Superannuation Plan reconciled, in detail, payment information received from PEBA to its records and followed up differences, if any. At December 31, 2010, the Plan had not implemented monitoring procedures. Also, it did not have assurances that the service provider used appropriate controls to manage its activities. Insufficient monitoring increases the risk that errors in pension benefits paid could go unnoticed.

- We recommend that the Power Corporation Superannuation Plan monitor the Public Employees Benefits Agency’s fulfilment of its assigned administration responsibilities related to the Plan.**

Status of other outstanding recommendations of the Standing Committee on Crown and Central Agencies

The following table provides an update on recommendations previously made by the Standing Committee on Crown and Central Agencies that are not yet implemented or discussed earlier in this chapter.

For the outstanding recommendation, the table sets out the report year of the initial recommendation made by our Office, the Committee’s decision on our recommendation, and to what extent the recommendation was implemented.

Report Year	Outstanding Recommendation	Status ⁵
Tenth Report of the 3 rd Session of the 25 th Legislature – tabled August 23, 2007		
2006 Report Vol. 1	The Committee concurs: 9.4 Saskatchewan Power Corporation should document the nature and extent of specific infrastructure risks that it accepts when it approves projects.	Partially implemented at December 31, 2009 For details, see our 2010 Report – Volume 1 (Chapter 16) p. 171. We have a follow-up planned for 2011.

⁵ See Chapter 20 – Standing Committee on Crown and Central Agencies for explanation of terms used in this table.

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